ENTERING THE EUROPEAN SOFTWARE MARKET

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ENTERING THE EUROPEAN SOFTWARE MARKET -

A Strategic Analysis Prepared for

Massachusetts Computer Software Council

by INPUT
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Vice President

E-IDA
1986

AUTHOR
ENTERING THE EUROPEAN
TITLE
SOFTWARE MARKET

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~~6/15/88~~	~~S. Judd~~
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OBJECTIVE

- Determine the Relative Merits of the Available Locations

- Understand the Reasons Locations were Selected

- Gain Insight into this Process to Support IDA Development Efforts

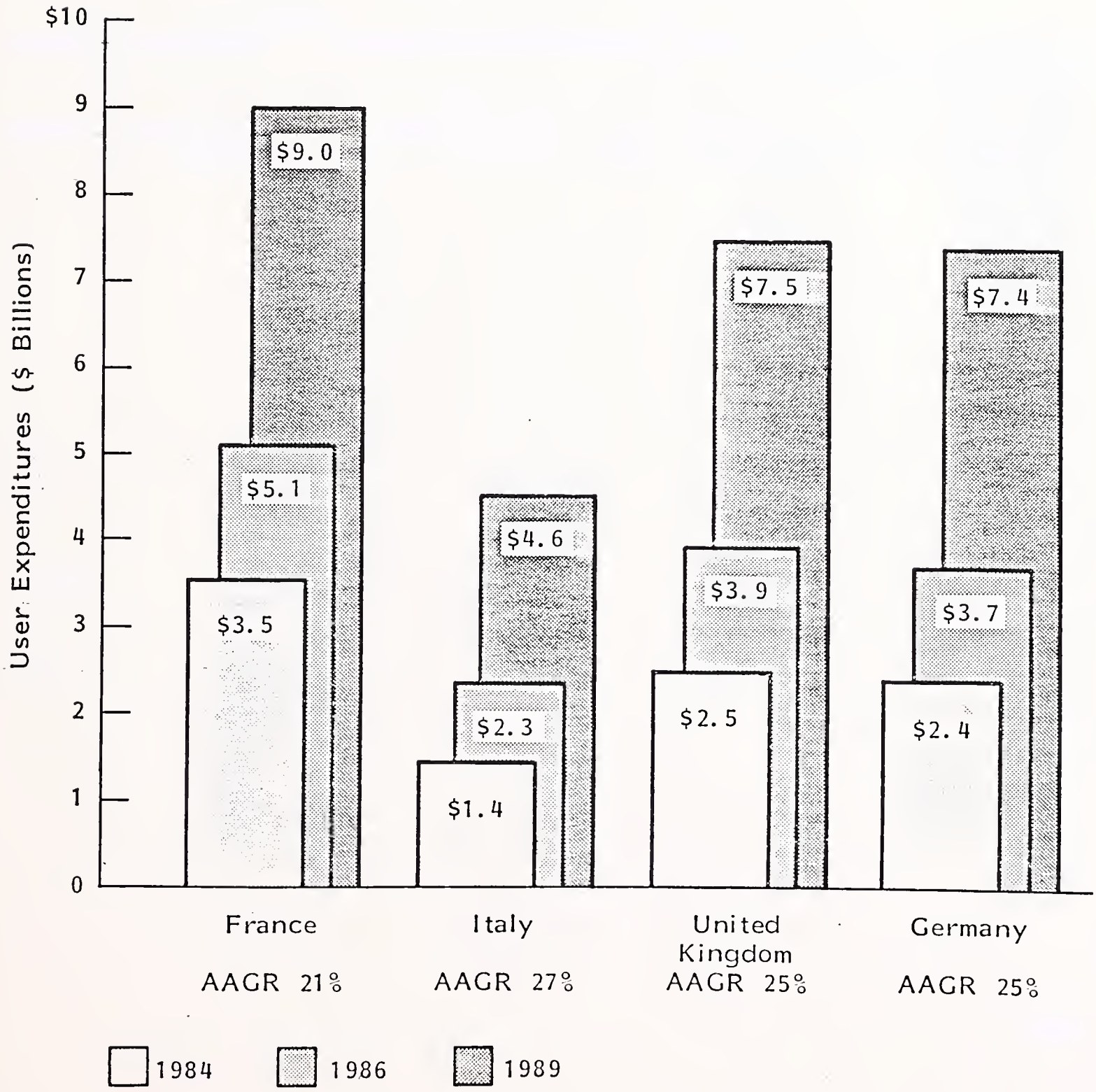
SCOPE

- Analyze Major European Locations
- Cover All Major Factors
- Propose Selection/Location Strategies
- Success/Failure Analysis

METHODOLOGY

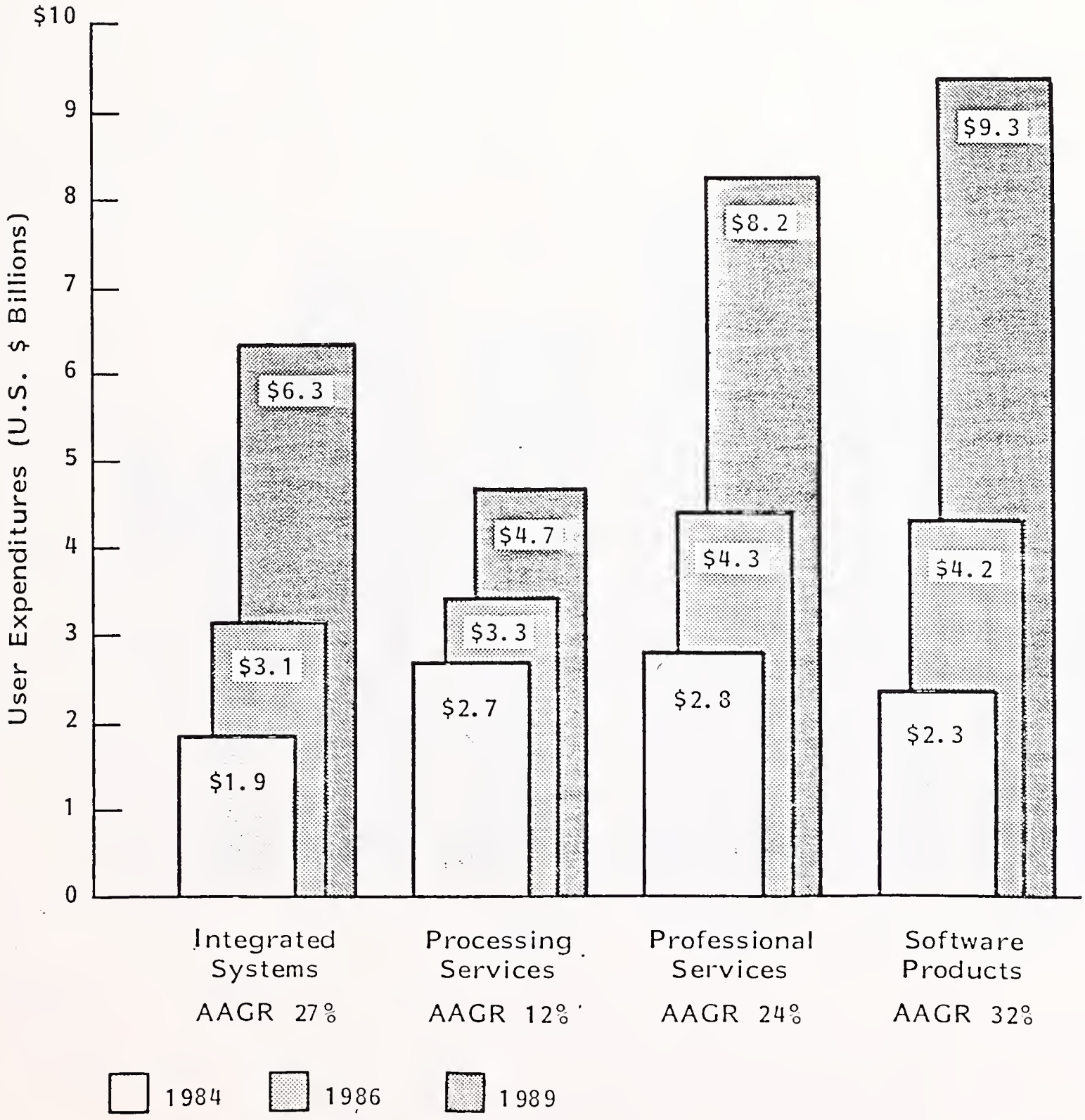
- Secondary Research
- Senior Management Interviews
  - U.S.
  - Europe
- Economic/Business Research
- Reviews With IDA Management

EUROPEAN INFORMATION SERVICES MARKET
BY MAJOR COUNTRY SHARES
1984-1989



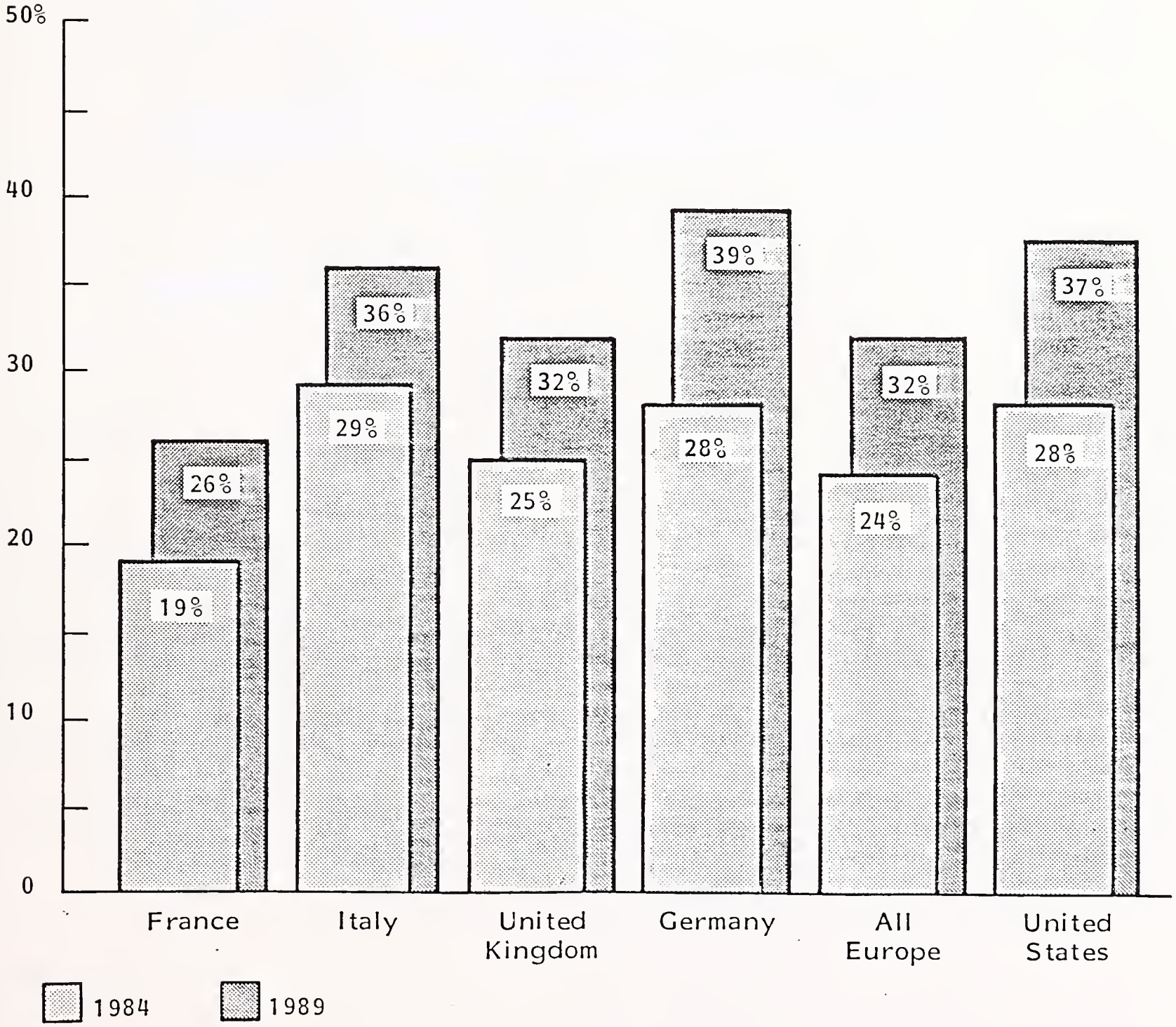
SOURCE: INPUT, European Information Services Industry Analysis

MAJOR WESTERN EUROPEAN INFORMATION SERVICES MARKET
BY MARKET SEGMENTS
1984-1989



SOURCE: INPUT, European Information Services Industry

SOFTWARE PRODUCTS SEGMENT
AS PERCENTAGE OF INFORMATION SERVICES MARKETS
1984 AND 1989



SOURCE: INPUT

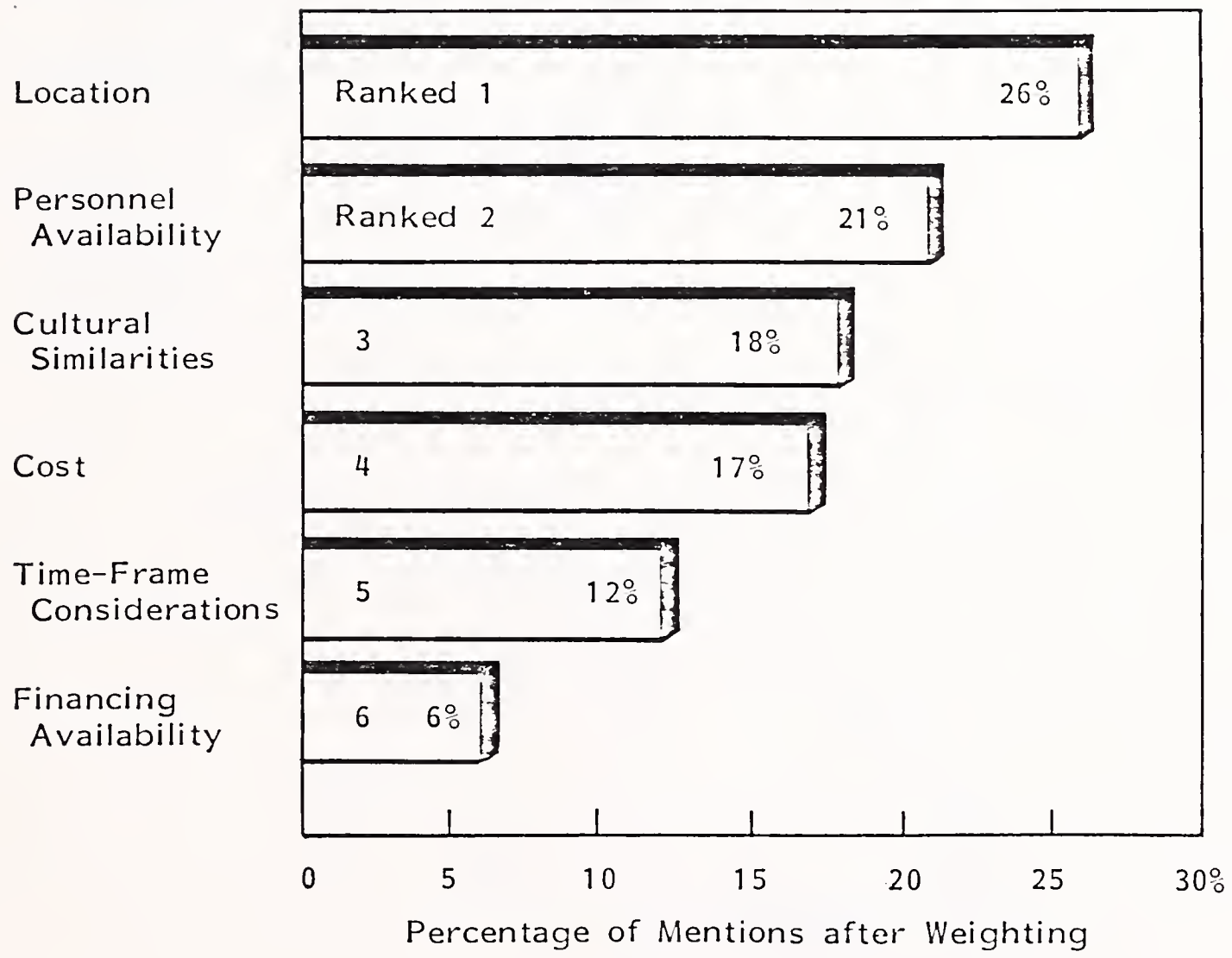
THE RELATIVE IMPORTANCE OF
CRITERIA IN SITE SELECTION
(Percent of Mentions after Weighting)

	MOST IMPORTANT → LEAST IMPORTANT					TOTAL
	1	2	3	4	5	
Location	32%	13%	12%	-	9%	23%
Cost	26	32	22	20%	4	17
Financing Availability	3	3	18	27	44	9
Personnel Availability	13	23	18	27	-	19
Cultural Similarities	23	10	12	13	17	18
Time-Frame Considerations	3	19	18	13	26	14
Total	100%	100%	100%	100%	100%	100%

SOURCE: INPUT

Weights Assigned:
1 = 5
2 = 4
3 = 3
4 = 2
5 = 1

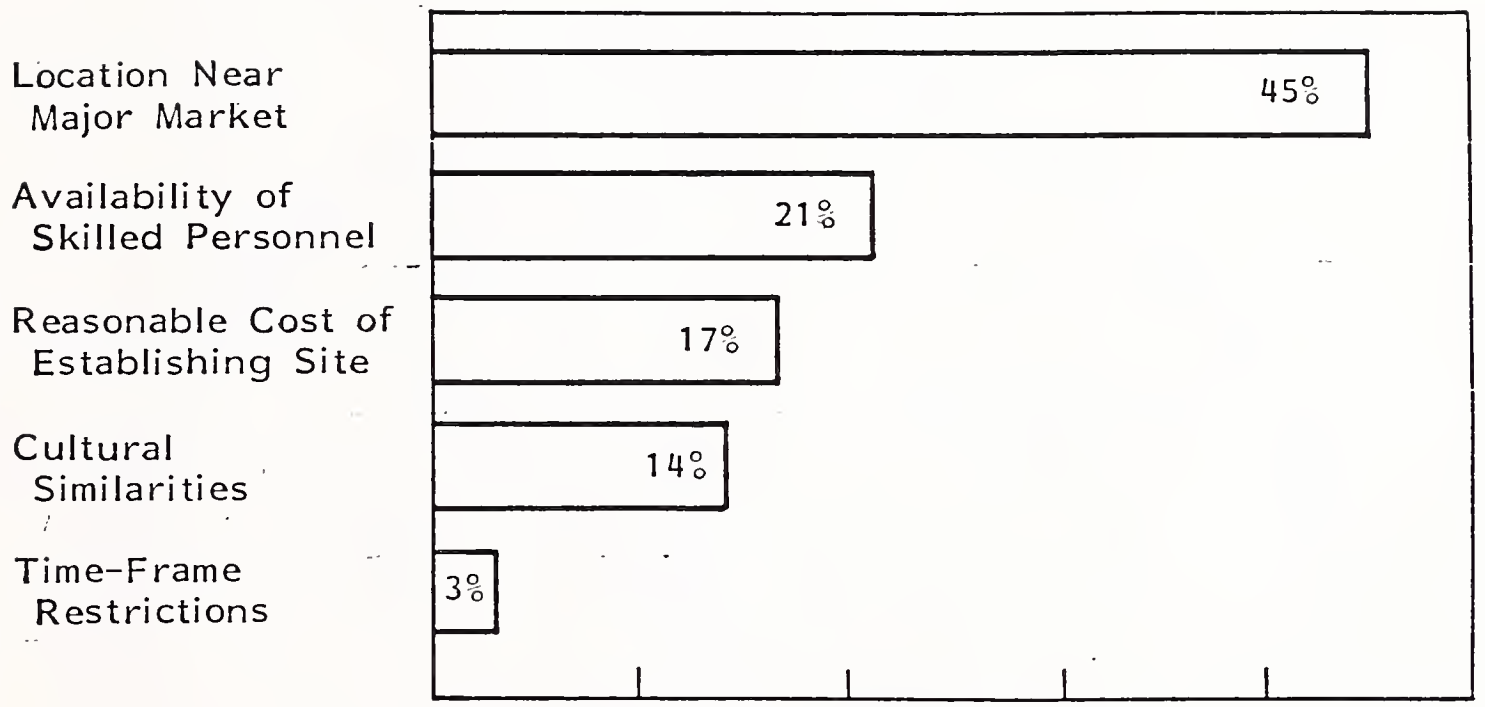
THE RELATIVE RANKING OF CRITERIA IN SITE SELECTION



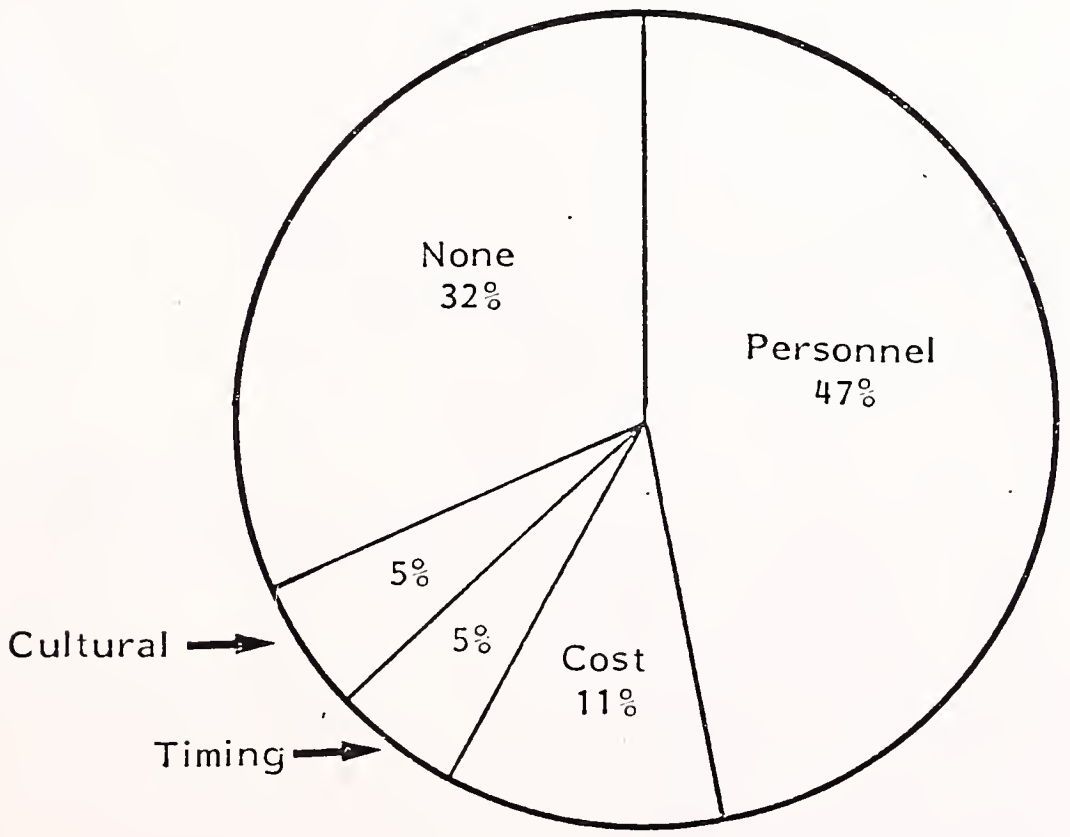
SOURCE: INPUT

Weights Assigned:
1 = 6
2 = 5
3 = 4
4 = 3
5 = 2
6 = 1

SPECIFIC REQUIREMENTS
ESSENTIAL FOR FINAL SELECTION OF SITE

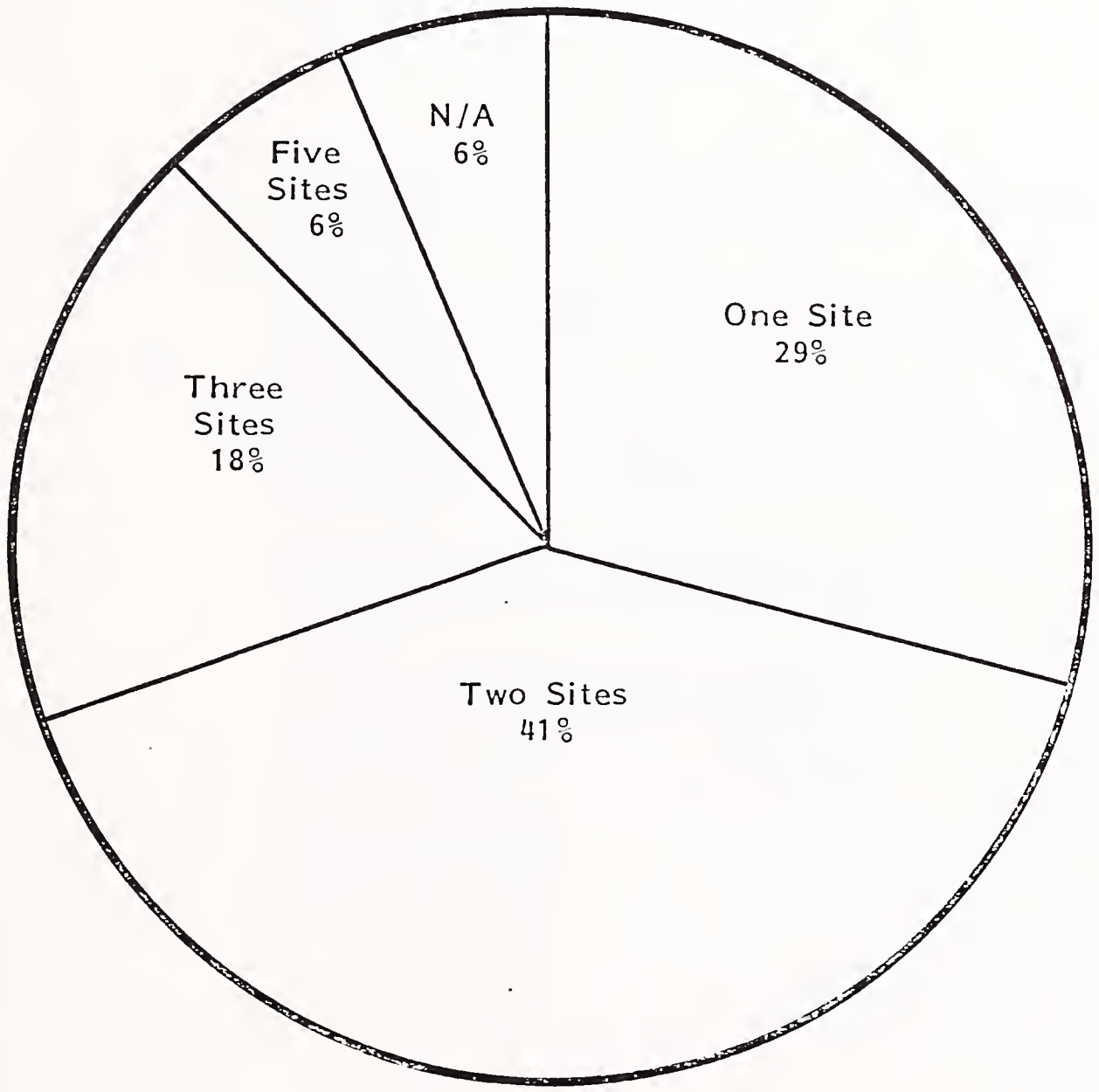


THE MOST DIFFICULT REQUIREMENT TO SATISFY:
(Percentage of Mentions)



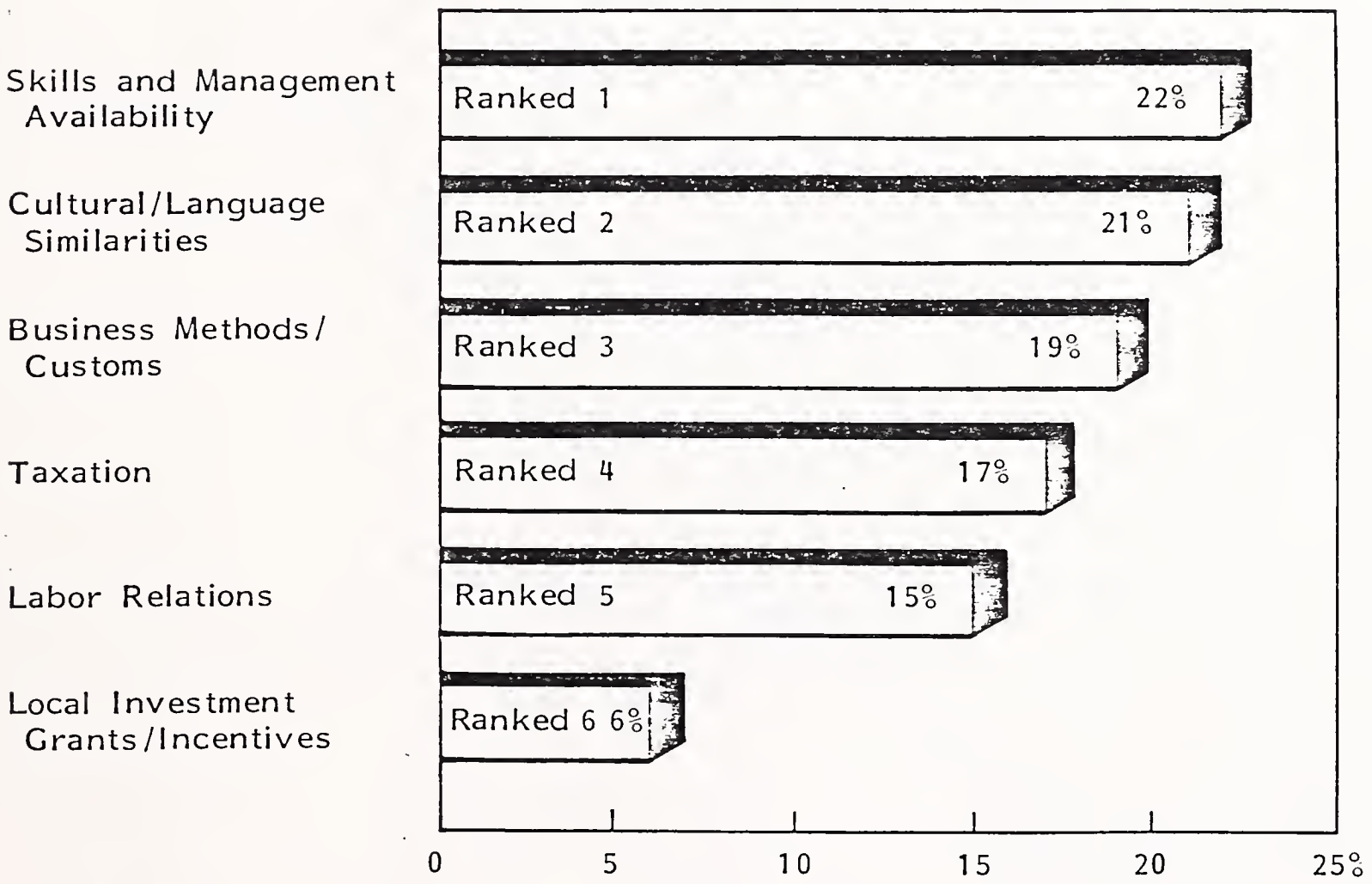
SOURCE: INPUT

NUMBER OF SITES CONSIDERED DURING SELECTION
(Percent of Responses)



SOURCE: INPUT
N/A: No Response or Unknown

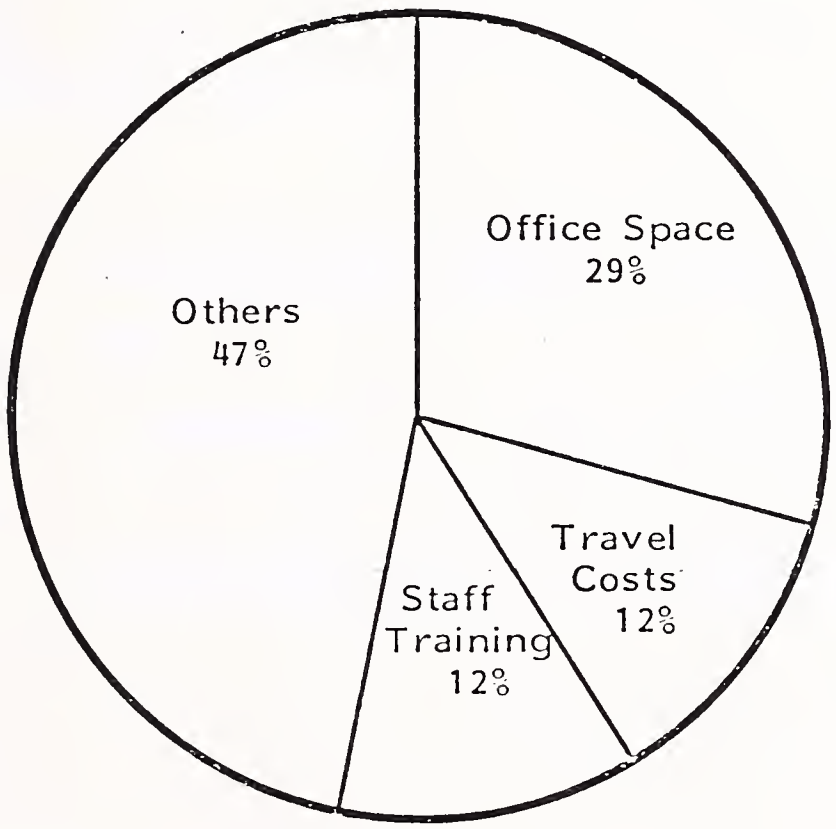
RELATIVE RANKING OF FACTORS IN THEIR
VALUE TO THE SITE SELECTED



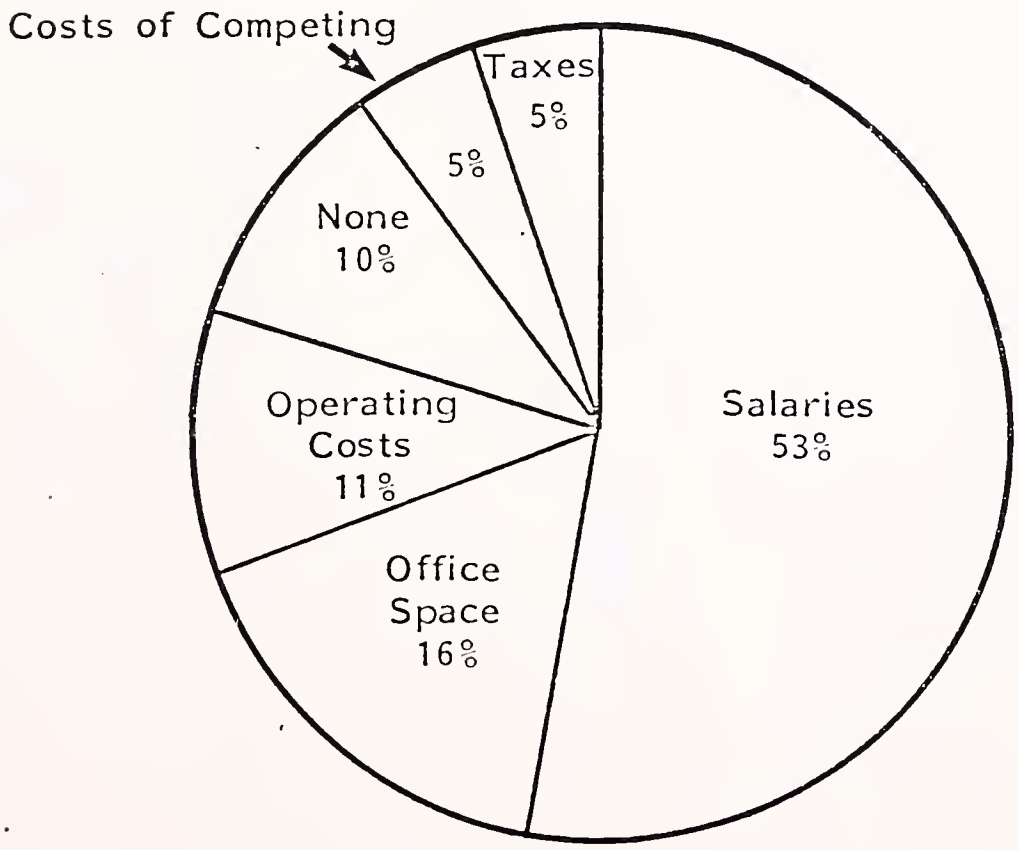
SOURCE: INPUT

Weights Assigned:
1 = 6
2 = 5
3 = 4
4 = 3
5 = 2
6 = 1

MOST COSTLY ELEMENT IN SITE ESTABLISHMENT
(Percent of Responses)

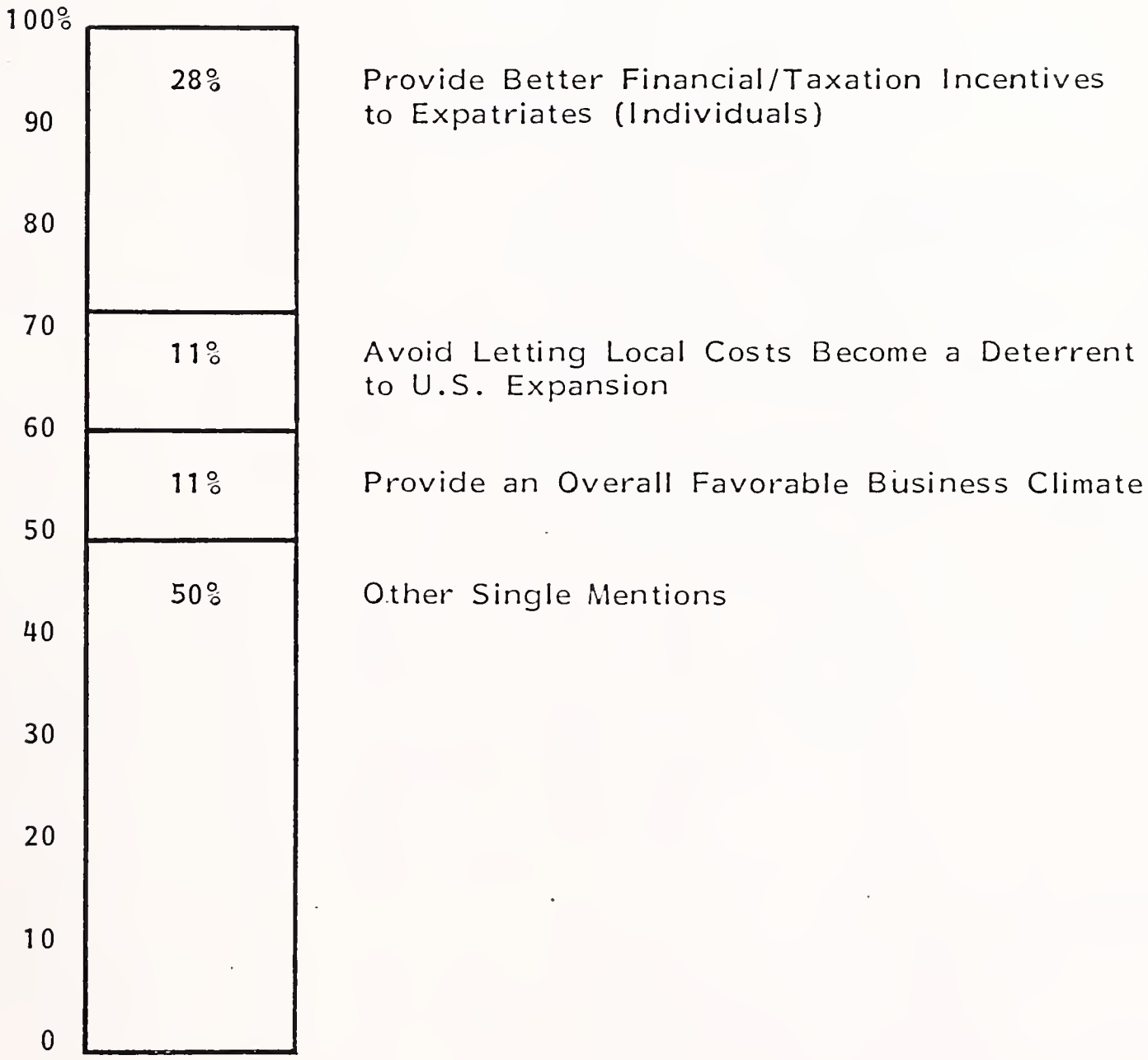


COST SAVINGS IN COMPARISON TO U.S.
(Percent of Responses)

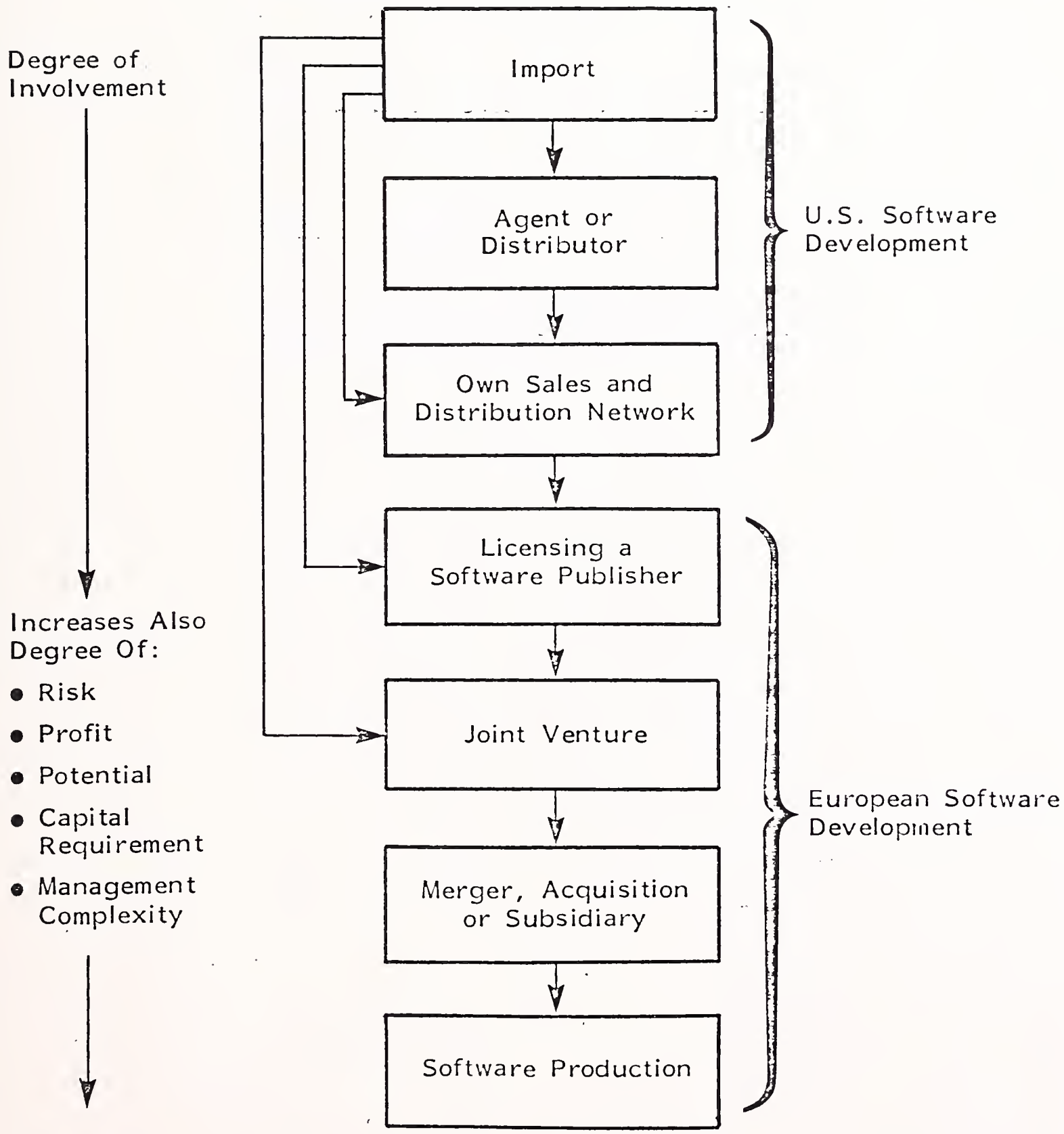


SOURCE: INPUT

SUGGESTIONS TO COUNTRIES INTERESTED IN
ATTRACTING U.S. SOFTWARE COMPANIES
(Percentage of Mentions)



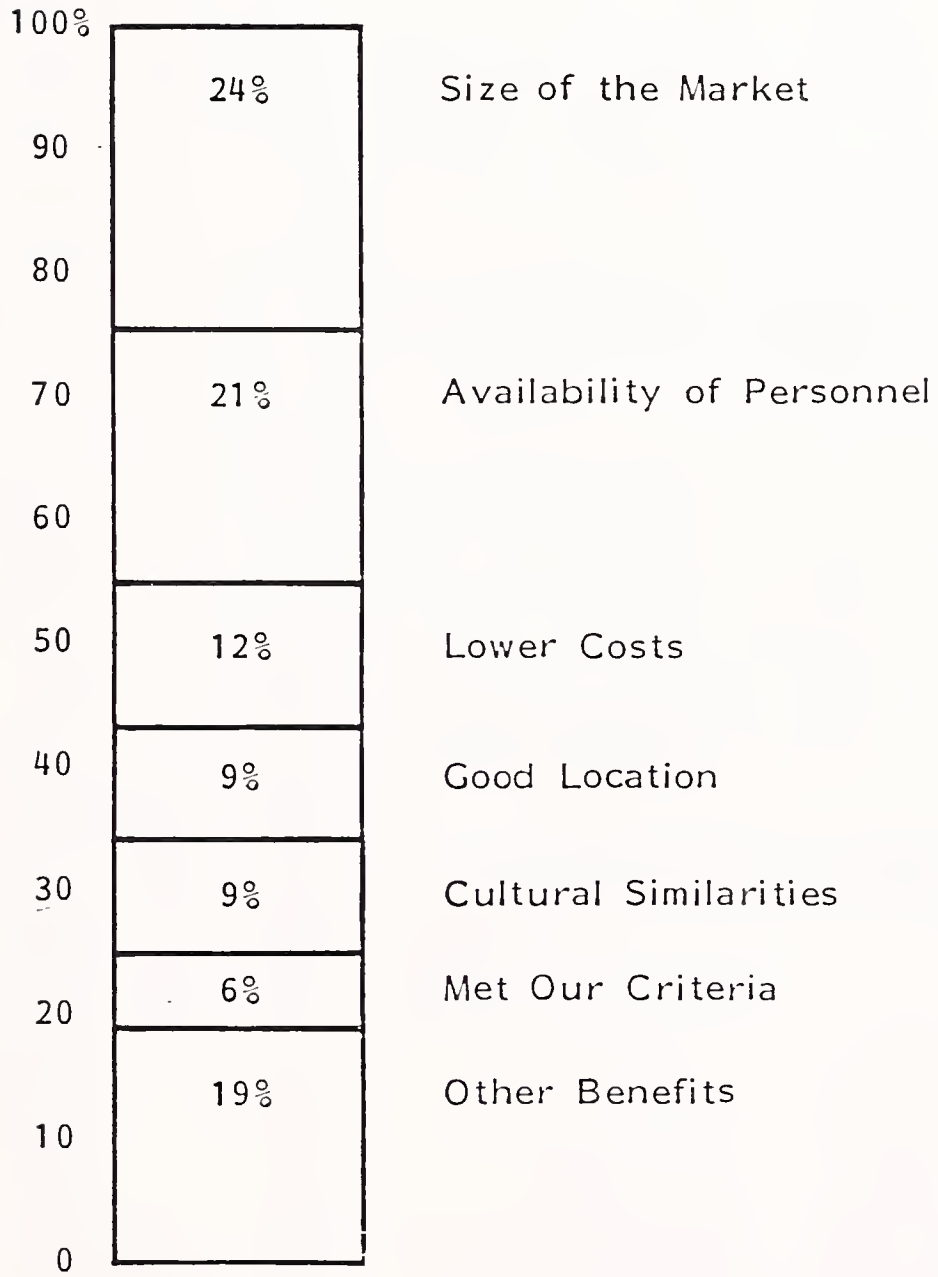
RELATIVE STAGES IN EUROPEAN SOFTWARE MARKET ENTRY



SOURCE: INPUT

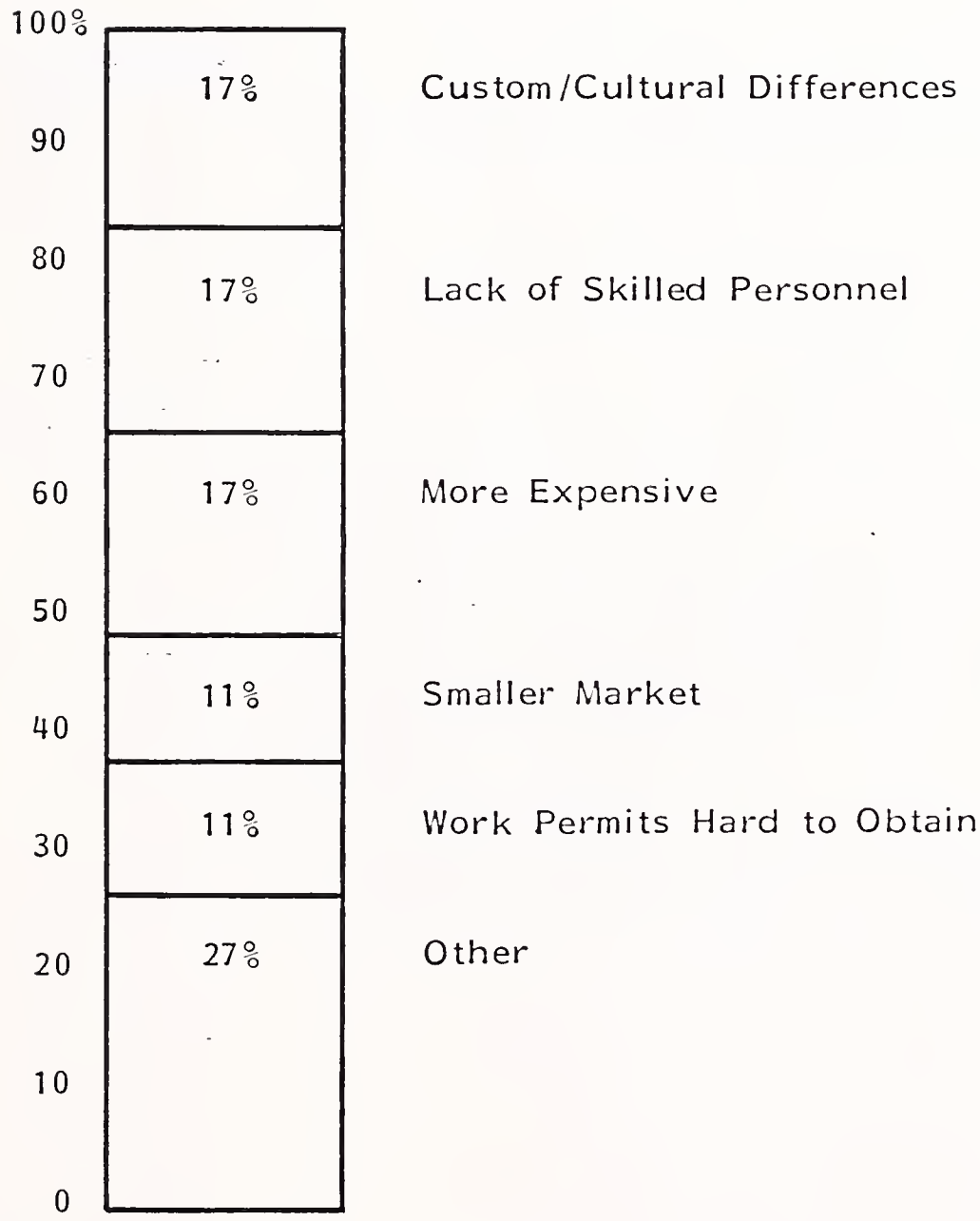
BENEFITS OF SITE SELECTED

(Percentage of Responses)



SOURCE: INPUT

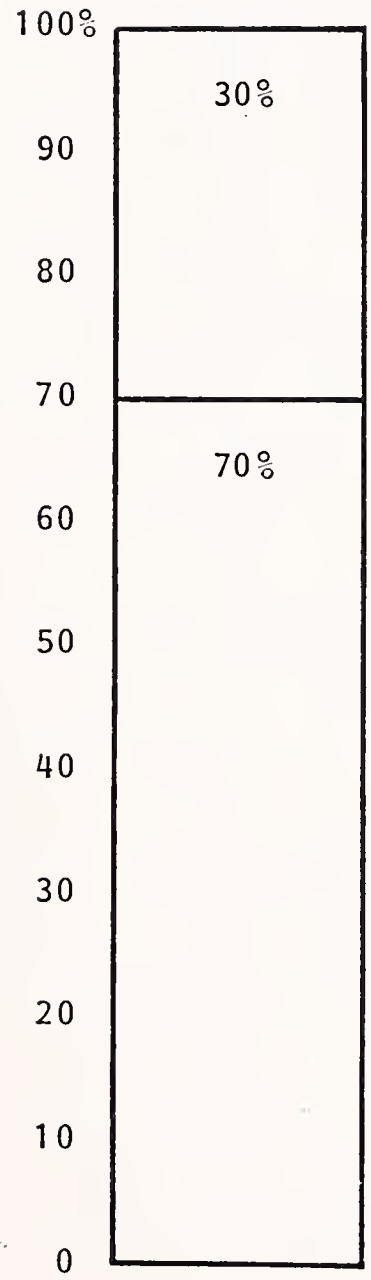
DISADVANTAGES OF SITES NOT SELECTED
(Percentage of Mentions)



SOURCE: INPUT

DISSATISFACTIONS WITH FINAL SITE SELECTION

(Percentage of Mentions)

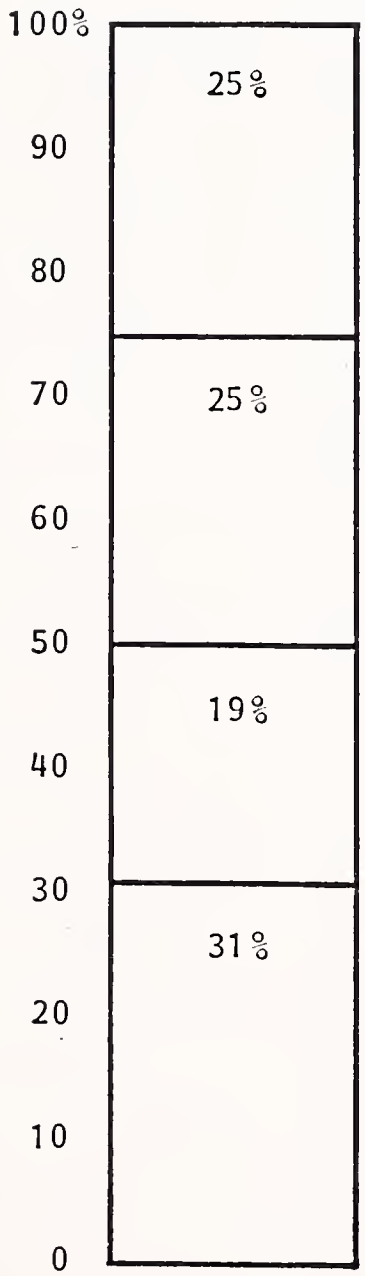


Our Slow Start-up and Recognition in the Market

Single Mentions:

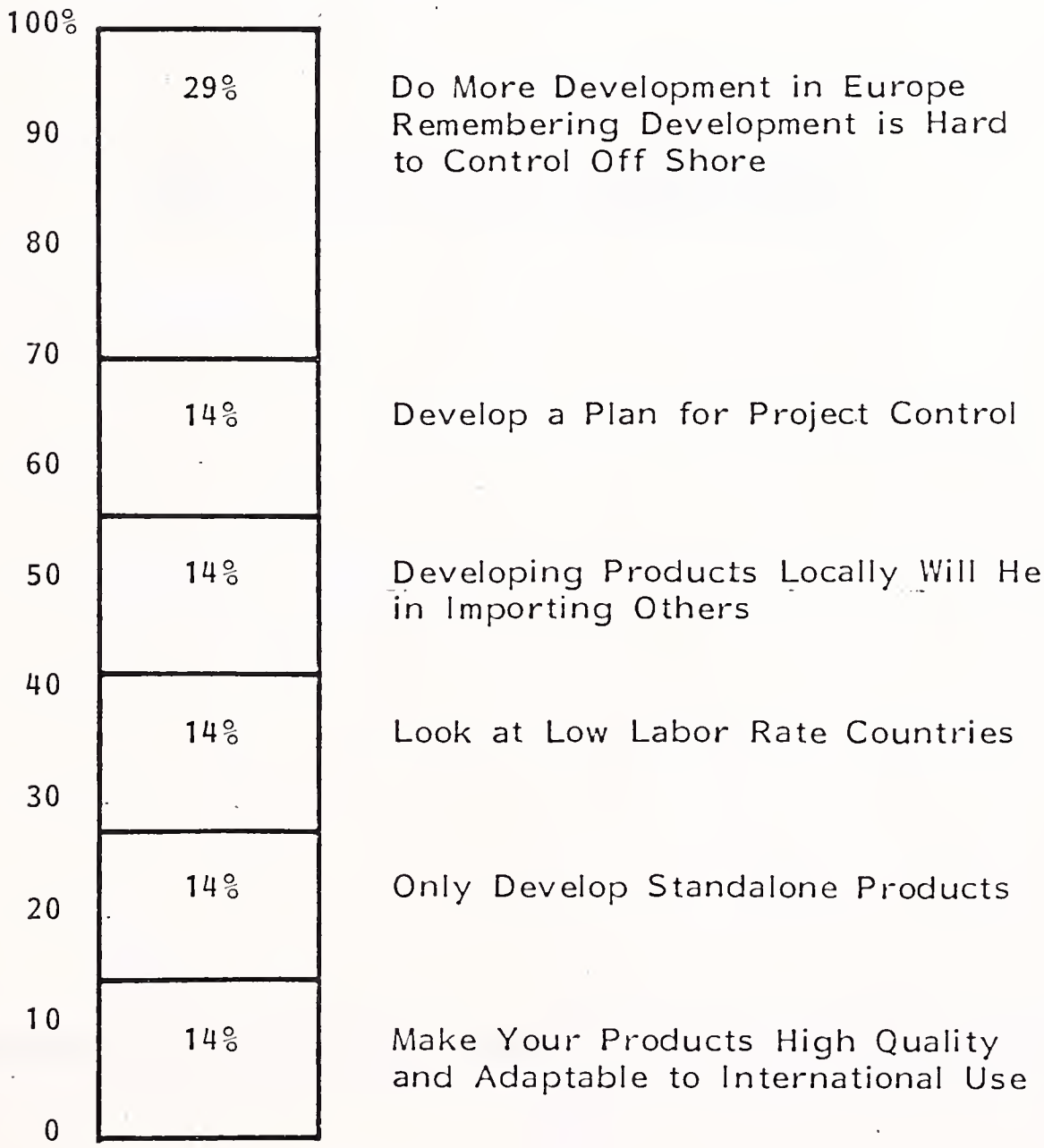
- Cultural Differences
- Nationalism of the Site Country
- Bureaucracy Relative to Expatriate Status
- Communications Facilities
- Increasing Costs
- Local Road Systems
- The Skills Level of People in Our Business

SOME PITFALLS TO GUARD AGAINST



SOURCE: INPUT

SUGGESTIONS FOR U.S. SOFTWARE COMPANIES
IN APPROACHING EUROPE
FOR SOFTWARE DEVELOPMENT
(Percentage of Responses)



SOURCE: INPUT

SPECIFIC FINDINGS

HOMEWORK PAYS FUTURE DIVIDENDS

- Many Companies Have Relocated or They Would Like To
- Thorough Investigation Should Precede Selection
- Planning Should Precede Investigation
- Sales, Partial or Full Presence

MAJOR INCENTIVES ARE DIVERSE AND VARIED

- Sales and Profit Potential are Available
- Host Country Support
- Host Country Investments
- Benefits For U.S. Employees
- New Financial Incentives

OBTAIN THE LABOR BASE AND MIX

- Assess the Current, Future Labor Requirements
- Understand Cost and Availability Factors
- Analyze the Total Picture
  - Sales, Development, Technical Support, Documentation, Marketing Materials, Training
- Get the Proper U.S. Staff Involved

ANALYSIS OF THE UNFAVORABLE YIELDS SECRETS

- Unfavorable Comments From the Survey
  - Cost of Office Space
  - Local Laws
  - Not Enough Skilled People
  - Staffing Costs
  - Cultural and Language Differences
- Get Major Functional Areas Involved
- Anticipate non Sales Issues

STRATEGIC ISSUES CALL FOR SITE SELECTION PLAN

- Determine the Mission
- Marketing vs. Development
- Surface and Understand the Strategic Issues
- Get all Functional Groups Involved
- Select Site on Unique Needs and Detailed Analysis

IRELAND AND THE U.K. EMERGE AS THE BEST CHOICES

- Detailed Analysis and Weighted Scores Were
  - United Kingdom - 23
  - Ireland - 22
  - West Germany - 18
  - France - 17
  - Belgium - 16
  - Italy - 15
- Each Situation Should Be Addressed for its Unique Requirements